FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP ANNOUNCES FIRST QUARTER 2024 EARNINGS

Honesdale, Pennsylvania - April 22, 2024

James O. Donnelly, President and Chief Executive Officer of Norwood Financial Corp (Nasdaq Global Market – NWFL) and its subsidiary, Wayne Bank, announced net income of $4,433,000 for the three months ended March 31, 2024, a decrease of $1,349,000, from net income of $5,782,000 for the three months ended March 31, 2023. The decrease was due primarily to a $1,383,000 decrease in net interest income and a $1,296,000 increase in total other expenses. Earnings per share on a fully diluted basis were $0.55 for the three-month period ended March 31, 2024, compared to $0.71 in the three-month period ended March 31, 2023. The annualized return on average assets was 0.80% in the first quarter of 2024 and the annualized return on average equity was 9.79%, compared to 1.13% and 13.61%, respectively, in the first quarter of 2023.

Total assets were $2.260 billion as of March 31, 2024, an increase of $156.1 million, compared to March 31, 2023. As of March 31, 2024, loans receivable were $1.621 billion, total deposits were $1.839 billion and total stockholders' equity was $181.2 million.

Net interest income on a fully taxable equivalent basis (fte), was $14,905,000 during the three months ended March 31, 2024, compared to $16,275,000 in the comparable three-month period of 2023. During the three-months ended March 31, 2024, the fte yield on interest-earning assets increased 71 basis points compared to the three months ended March 31, 2023, while the cost of funds increased 147 basis points. As a result, the annualized net interest spread (fte) decreased to 2.07% from 2.83% in the quarter ended March 31, 2024 compared to the corresponding three-month period in 2023.

Total other income was $2,006,000 for the three months ended March 31, 2024, compared to $1,912,000 during the corresponding three-month period in 2023. The increase in other income was due primarily to a $55,000 increase in earnings and proceeds on bank-owned life insurance. All other categories of other income increased $39,000, net.

During the three months ended March 31, 2024, operating expenses increased $1,296,000 to $11,732,000 as compared to operating expenses of $10,436,000 during the comparable three-month period of 2023.

During the three months ended March 31, 2024, the provision for credit losses decreased $924,000 compared to the corresponding three-month period of 2023 based on the Company's analysis of the allowance for credit losses. A lower level of non-performing loans and reduced charge-offs contributed to the decreased provision for credit losses.

Mr. Donnelly stated, "Our first quarter income decreased from the 2023 level due to the continued pressure on net interest income caused by the rising cost of deposits. We have continued to grow our core business lines, including a 4.5% annualized increase in loans during the quarter, while total deposits increased 9.8% annually during the first quarter of 2024. Our capital base remains above "Well-Capitalized" targets, and our credit quality metrics improved during the first quarter. We appreciate the opportunity to serve our Wayne Bank customers and our customers at the Bank of the Finger Lakes and Bank of Cooperstown locations. We continue to look for opportunities available to us as we service our growing base of customers and enhance shareholder value in the Company".

Norwood Financial Corp is the parent company of Wayne Bank, which operates from fourteen offices throughout Northeastern Pennsylvania and fifteen offices in Delaware, Sullivan, Ontario, Otsego and Yates Counties, New York. The Company's stock trades on the Nasdaq Global Market under the symbol "NWFL".

Forward-Looking Statements.

The Private Securities Litigation Reform Act of 1995 contains safe harbor provisions regarding forward-looking statements. When used in this discussion, the words "believes", "anticipates", "contemplates", "expects", "bode", "future performance" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected. Those risks and uncertainties include changes in federal and state laws, changes in interest rates, our ability to maintain strong credit quality metrics, our ability to have future performance, our ability to control core operating expenses and costs, demand for real estate, government fiscal and trade policies, cybersecurity and general economic conditions. The Company undertakes no obligation to publicly release the results of any revisions to those forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Non-GAAP Financial Measures

This release references net interest income on a fully taxable-equivalent basis (fte), which is a non-GAAP (Generally Accepted Accounting Principles) financial measure. Fully taxable-equivalent net interest income was derived from GAAP interest income and net interest income using an assumed tax rate of 21%. We believe the presentation of net interest income on a fully taxable-equivalent basis ensures comparability of net interest income arising from both taxable and tax-exempt sources, and is consistent with industry practice.

The following table reconciles net interest income to net interest income on a fully taxable-equivalent basis:

(dollars in thousands)	Three months ended March 31,	
	2024	2023
Net interest income	$14,710	$16,093
Tax equivalent basis adjustment using 21% marginal tax rate	195	182
Net interest income on a fully taxable equivalent basis	$14,905	$16,275

This release also references average tangible equity, which is also a non-GAAP financial measure. Average tangible equity is calculated by deducting average goodwill and other intangible assets from average stockholders' equity. The Company believes that disclosure of tangible equity ratios enhances investor understanding of our financial position and improves the comparability of our financial data.

The following table reconciles average equity to average tangible equity:

(dollars in thousands)	Three months ended March 31,	
	2024	2023
Average equity	$182,088	$172,334
Average goodwill and other intangibles	(29,476)	(29,559)
Average tangible equity	$152,612	$142,775

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